

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of GMAC Direct Insurance Company as of December 31, 2006

ORDER

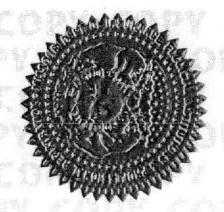
After full consideration and review of the report of the financial examination of GMAC Direct Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER GMAC Direct Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this June 20, 2008.

LindaBohrer

Linda Bohrer, Acting Director Department of Insurance Financial Institutions and Professional Registration



REPORT OF

FINANCIAL EXAMINATION

GMAC Direct Insurance Company

As of:

DECEMBER 31, 2006

PARTIE OF THE STATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Honorable Alfred W. Gross, Commissioner Bureau of Insurance Virginia State Corporate Commission Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director Division of Insurance State of South Dakota Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Director Missouri Department of Insurance, Financial Institutions and Professional Registration 301 West High Street, Room 530 Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

GMAC Direct Insurance Company

hereinafter referred to as such or as the "Company". The Company's office is located at 13736 Riverport Drive, Suite 700, Maryland Heights, Missouri 63043, telephone number (314) 493-8000. Examination fieldwork began on July 9, 2007, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2003, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2004, through December 31, 2006, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2006.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Deloitte & Touche LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

1. Comment: Accounts and Records

The Company is in violation of 20 CSR 200-4.010 (Books, Records, Accounts and Vouchers), both paragraph (3) "Location of Files," which states, "All financial books, records and accounts necessary for the annual statement of a Missouri insurer must be kept in a central location" and paragraph (4) "Time Limits," which states, "The insurer shall provide, within five (5) working days, any record requested by any duly appointed financial examiner..."

The General Motors holding company system is decentralized. Financial records are kept in various locations, and because of this it was difficult to obtain detailed documentation. Many requests took well over five working days.

We direct the Company to centralize its financial records or maintain an adequate audit trail that would expedite the response to financial information requests. This could significantly reduce the costs of future financial examinations.

Company Response:

The Company responded as follows: "The Company's records are maintained in certain strategic locations to efficiently and effectively support the Company's business from an operational perspective by being readily available to management of the operating departments as needed."

Current Findings:

Examiners participating in the current examination received requested information in a timely manner.

HISTORY

General

GMAC Direct Insurance Company was incorporated under the laws of the state of Missouri on August 18, 2000, and received its certificate of authority to conduct the business of insurance as a property and casualty insurer on September 27, 2000. The Company commenced active premium writings on January 1, 2002. The Company was a wholly owned subsidiary of Motors Insurance Corporation. Motors Insurance Corporation was owned by GMAC Insurance Holdings, Inc., which was owned by General Motors Acceptance Corporation.

The organizational structure remained unchanged until 2006, when a 51% ownership stake of General Motors Acceptance Corporation was sold to FIM Holdings, LLC, a consortium of institutional investors led by Cerberus FIM Investors, Citigroup, Inc., Aozora Bank Ltd and a subsidiary of PNC Financial Services Group, Inc. At this time, General Motors Acceptance Corporation converted its form of organization from a corporation to a limited liability company, changing its name to GMAC, LLC.

Capital Stock

The Company is authorized to issue 20,000 shares of common stock at a par value of \$200 per share. All shares were issued and outstanding as of December 31, 2006, resulting in a common capital stock account of \$4,000,000.

Dividends

The Company paid \$250,000 in dividends during the examination period.

Management

The Company's articles of incorporation call for a board of directors consisting of nine members. However, at December 31, 2006, there were only eight members. On November 26, 2007, the board selected another member. The board should take timely action to ensure that the appropriate number of directors serve on the board should an opening occur in the future.

Directors serving at December 31, 2006 were as follows:

Name and Address Business Affiliation

John C. Beattie Vice President, Human Resources Winston-Salem, NC

Bernard J. Buselmeier Executive Vice President and Chief Wildwood, MO Financial Officer

Name and Address

David S. Murphy

Winston-Salem, NC

Business Affiliation

Vice President and Chief Pricing Officer

Gerald D. Filler

Vice President and Chief Information

Hudson, OH

Officer

Gary Y. Kusumi

Chairman, President and Chief Executive

Town and Country, MO

Officer

Daniel C. Pickens Winston-Salem, NC

Vice President and Chief Actuary

Sheena E. Poe Clemmons, NC Vice President, Secretary and Chief

Claims Officer

James M. Curtin Atlanta, GA

Vice President and Chief Marketing

Officer

Additional officers included:

Name

Donald J. Bolar

Office

Vice President and Treasurer

George H. Hall, Jr.

Vice President

Verne E. Purvines (retired in 2007)

Vice President and Assistant Secretary

Thomas W. Stuertz

Vice President

Conflict of Interest

The Company and its affiliates have a policy which requires directors, officers and key employees to complete annual conflict of interest disclosure statements. Review of the most current disclosure statements found no instances of conflict of interest situations.

Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. The articles of incorporation had been amended to reflect the new location of the Company's offices. The bylaws were not amended during the period being examined.

The minutes of the meetings of the stockholder and board of directors were also reviewed

for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions. The board of directors reviewed and approved the examination report as of December 31, 2003 on September 14, 2005.

Acquisitions, Mergers and Major Corporate Events

The sale of a 51% interest in the Company's immediate parent to FIM Holdings, LLC was discussed above. There were no other major corporate events to note.

Surplus Debentures

None.

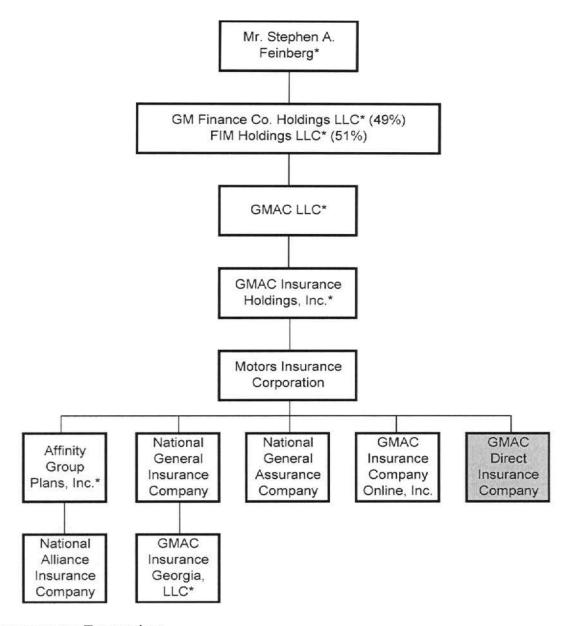
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

GMAC Direct Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). Pursuant to Missouri Insurance Regulations 20 CSR 200-11.100 and Section 382.100 RSMo, the Company has filed Form B of the Insurance Holding Company System with the Department. The ultimate controlling person is Mr. Stephen A. Feinberg of Cerberus FIM, LLC.

Organizational Chart

The following organizational chart depicts the ownership structure of the Company as of December 31, 2006. The chart shows only the Missouri domiciled insurers and their subsidiaries and the parent companies. Mr. Feinberg controls Cerberus FIM, LLC which eventually controls FIM Holdings LLC. All subsidiaries are wholly owned and non-insurance entities are identified with an asterisk.



Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and summarized below. These agreements were all filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

1. Tax Allocation Agreement

The Company operated under two tax allocation agreements during the examination period. The first was effective as of December 9, 2002, and remained in place until November 30, 2006. The parties to the agreement included General Motors Corporation, General Motors Acceptance Corporation, GMAC Insurance Holdings Incorporated and its various subsidiaries which included Motors Insurance Corporation, the parent of the Company. The current agreement became effective December 1, 2006. It is essentially

the same as the previous agreement with the notable exception that General Motors Corporation and General Motors Acceptance Corporation are no longer part of the agreement.

Under these agreements, each subsidiary pays to Motors Insurance Corporation the separate subsidiary tax liability as determined by the hypothetical federal income tax return for the subsidiary. Within 15 business days prior to the date on which Motors Insurance Corporation is required to make estimated tax payments on behalf of the group, subsidiaries submit to Motors Insurance Corporation or its designee a calculation of the separate subsidiary estimated taxes, determined on the basis of the estimated separate subsidiary tax liability. Within 90 days following the filing of the consolidated federal income tax return, Motors Insurance Corporation notifies each subsidiary of the amount of the separate subsidiary tax liability and within 15 days after the notification, a settlement is made.

2. Services and Facilities Agreement

The parties to this agreement are GMAC LLC, GMAC Insurance Holdings, Inc. on behalf of all of its direct and indirect subsidiaries. The agreement is effective as of November 30, 2006, the date that FIM Holdings LLC became majority owner of GMAC LLC.

Each party agrees to furnish, upon request of the others, such qualified personnel, supplies, equipment, services and facilities reasonably and necessarily required as the recipient party is authorized by law to perform. The services include, but are not limited to, the performance of various administrative, marketing actuarial, financial, tax, investment, information technology, real estate management, claims and underwriting, human resources, payroll and employee benefits, corporate communications, audit, risk management and legal functions. The sole consideration for the services and facilities provided is the actual cost of the same to the supplying party, without a profit factor built into cost. Each supplying party renders to the recipient party, notification of charges and expenses incurred in connection with this agreement at no less frequently than on a quarterly basis.

3. Investment Management Agreement

The parties to this agreement are General Motors Investment Management Corporation and Motors Insurance Corporation, including this company and various other subsidiaries. General Motors Investment Management Corporation manages the Company's cash and securities in accordance with investment guidelines established by the Company. Motors Insurance Corporation reimburses General Motors Investment Management Corporation semi-annually for the costs and expenses incurred by General Motors Investment Management Corporation. All disputes arising with respect to this agreement can be submitted to arbitration with one arbitrator to be chosen by Motors Insurance Corporation and one by General Motors Investment Management Corporation.

FIDELITY BOND AND OTHER INSURANCE

The Company is adequately insured under a crime policy issued to General Motors Corporation (GM) and affiliates. This policy provides fidelity coverage with a limit of \$350,000,000 and a deductible of \$25,000,000. The amount of the deductible is self insured by GM.

The Company is also protected by various policies issued to the affiliated group and includes liability coverages for employment practices, errors and omissions and directors and officers.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company has no employees. GMAC Insurance Holdings, Inc. and other affiliates provide services under the Services and Facilities Agreement.

GMAC Insurance Holdings, Inc. provides its employees with benefits typical for the industry including, health insurance (medical, dental, vision), group life insurance, long and short term disability benefits, a retirement savings plan, pension plan and paid leave.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2006, as reflected below, were sufficient in par and market value to meet the minimum requirement of \$1,200,000 in accordance with Section 379.098 RSMo – Security Deposits.

			Statement
Description of Security	Par Value	Market Value	<u>Value</u>
U. S. Treasury Bond	\$ 2,600,000	\$ 2,522,208	\$ 2,616,682

Deposits with Other States

The following funds were on deposit with other states as of December 31, 2006:

						3	Statement
<u>State</u>	Description of Security	9	Par Value	M	arket Value		Value
Arkansas	US Treasury Note	\$	105,000	\$	105,230	\$	104,521
Florida	US Treasury Note		158,000		158,346		157,279
Louisiana	US Treasury Note		22,000		22,048		21,900
Nevada	US Treasury Note		210,000		210,460		209,042
New Mexico	US Treasury Note		315,000		315,690		313,563
North Carolina	US Treasury Note		420,000		420,920		418,084
Oklahoma	US Treasury Note		315,000		315,690		313,563
South Carolina	US Treasury Note		150,000		145,512		150,962
Virginia	US Treasury Note		525,000		526,150		522,605
Total		\$	2,220,000	\$	2,220,046	\$	2,211,519

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed in Missouri under Chapter 379 RSMo, (Insurance other than life) to write property, liability and miscellaneous insurance. The company is also licensed in all other states except California, Maine, Massachusetts, Minnesota, New Hampshire, New Jersey and Rhode Island. The Company specializes exclusively in the private passenger auto physical and liability line of business.

The Company is currently not writing new business.

Policy Forms and Underwriting; Advertising and Treatment of Policyholders

The Department has a market conduct staff that performs a review of these issues and generates a separate market conduct report. No market conduct examination was completed during the examination period. The most recent examination was conducted as of December 31, 2001.

REINSURANCE

The Company's premiums on a direct written and ceded basis for the current examination period were as follows:

	<u>2006</u>	2005	2004
Direct Business	(\$184)	\$ 269,564	\$ 767,705
Reinsurance Ceded	<u>184</u>	(269,564	(767,705)
Net Premiums	<u>\$ 0</u>	<u>\$</u> 0	\$ 0

Assumed

The Company assumes no reinsurance.

Ceded

The Company cedes all of its net retention to its parent company, Motors Insurance Corporation. This accounts for 100% of the Company's ceded premium. Along with the premium, the Company cedes all liabilities. The Company is party to various other reinsurance agreements, but very little business is ceded under those agreements.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements were audited by the firm of Deloitte & Touche LLP for the period covered by this examination.

Company Actuaries

Dan Pickens, FCAS, MAAA, provided the actuarial opinions for the Company for 2006 and 2005. The 2004 opinion was provided by Matthew Carrier, ACAS, MAAA, from the firm of Deloitte Consulting LLP.

Consulting Actuary

The Department contracted Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC to evaluate the adequacy of the Company's loss related reserves. His evaluation concluded that the Company's reserves at December 31, 2006 were adequate.

Information Systems Examination Specialist

The Department's Information Systems Examination Specialist, Andy Balas, evaluated data processing controls and no exceptions were noted.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were

determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET As of December 31, 2006

Assets

Assets					
		Assets	admitted	Ne	Admitted
B-2/16	8.20		Assets		Assets
Bonds	\$	6,005,560	\$ -	\$	6,005,560
Cash		2,786,788			2,786,788
Investment income due and accrued		59,914	-		59,914
Amounts recoverable from reinsurers		3,501	=		3,501
Current federal income tax recoverable		17,914	=		17,914
Total Assets	\$	8,873,677	\$ 	\$	8,873,677
Liabilities					
Taxes, licenses and fees				\$	78,405
Net deferred tax liability				Ψ	951
Ceded reinsurance premiums payable					
The first of the state of the s					2,669
Payable to parent, subsidiaries and affiliates			-		36,839
Total Liabilities				S	118,864
Surplus					
Common capital stock				\$	4,000,000
Gross paid in and contributed surplus					4,000,000
Unassigned funds (surplus)					754,813
Surplus as regards policyholders			-	\$	8,754,813
Total Liabilities and Policyholder Surplus				\$	8,873,677

INCOME STATEMENT

For the year ended December 31, 2006

Premiums earned	\$ -	
Losses incurred	-	
Loss expenses incurred	-	
Other underwriting expenses incurred	722	
Net underwriting gain (loss)		\$ (722)
Net investment income earned	\$ 358,200	
Net investment gain (loss)		 358,200
Net income before federal income taxes		357,478
Less: Federal income taxes incurred	12	115,183
Net income		\$ 242,295

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year			\$ 8,763,469
Net income	\$	242,295	
Change in net deferred income tax		(951)	
Dividends to stockholders	\$	(250,000)	
Change in surplus as regards policyholders for the year	N.E.	-	(8,656)
Surplus as regards policyholders, December 31 current year			\$ 8,754,813

NOTES TO THE FINANCIAL STATEMENTS

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EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Management

page 3

The board of directors had eight members as of December 31, 2006 while the articles of incorporation call for a board consisting of nine members. This condition existed until November 26, 2007 when the ninth member was selected. In the future, the board should fill vacancies in a timely manner.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of GMAC Direct Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Art Palmer, CFE, Rick Stamper, CFE, Dave Schaper, Doug Daniels and Andy Balas, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Consulting actuary, Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC evaluated the adequacy of the Company's loss related reserves.

VERIFICATION

State of Missouri) ss County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

JACOUELIN LEHMUTH
Notary Public - Notary Seal
State of Missouri
County of St. Louis
My Commission Exp. 06/14/2008

Robert P. Jordan, CFE Examiner-in-Charge

Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 6 day of May 2008

My commission expires:

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial

Condition Examiners Handbook has been confirmed.

Christiana Dugopolski, CFE, CPA

Audit Manager, St. Louis

Missouri Department of Insurance, Financial Institutions and Professional Registration

GMAC Insurance

June 11, 2008

Frederick G. Heese Missouri Department of Insurance PO Box 690 Jefferson City, MO 65102-0690

Dear Mr. Heese:

We received the Examination Report for GMAC Direct Insurance Company, the "Company", for the period ending December 31, 2006. This letters serves as the Company's response to the Examination Report.

Page 8 of the Examination Report labeled Employee Benefits and Pension Plan assumes GMAC Insurance Holdings, Inc. was the employer which is incorrect. The employer that provides these benefits to employees is GMAC Insurance Management Corporation. In addition, Page 13 of the report labeled General Comments and Recommendations contains a comment regarding the number of members on the board of directors being inconsistent with the articles of incorporation. At this time the board of directors contains nine members which is the number required per the articles of incorporation.

We would like this response to be included in the report as a public document.

Should you need additional information please contact me by phone – 336.770.2218 or by email, Rebecca.Boone@gmacinsurance.com.

Regards,

Rebecca Boone Assistant Treasurer

GMAC Insurance - Personal Lines

RECEIVED

JUN 1 9 2008

INSURANCE SOLVENCY
COMPANY REGULATION